

CLIENT CATEGORIZATION POLICY

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1 Introduction

Exclusive Change Capital Ltd (hereafter the “Company”) is an Investment Firm incorporated and registered under the laws of the Republic of Cyprus, with registration number HE 337858. The Company is authorised and regulated by the Cyprus Securities and Exchange Commission (hereafter the “CySEC”) under the license number 330/17.

The Company is operating under the Investment Services and Activities and Regulated Markets Law 87(I)/2017 (hereinafter “Law”) which transposed by the European Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as the same may be in force from time to time and modified or amended from time to time (hereinafter MiFID II”). Following the implementation of the MiFID II, the Company is required to categorise its Clients in to one of the following three categories: “retail”, “professional” or eligible counterparty”.

Therefore, when the Company is evaluating an application for opening an account, it will classify a prospective client under any of the above categories based on the information provided by the said client.

1 Retail Client

A retail client is a client who is not a professional client or an eligible counterparty. Such categorisation receives the highest possible level of protection including the compensation of the investors’ compensation fund.

2 Professional Clients by Default

A professional client is considered to be a client who possesses the experience, knowledge and expertise to make his own investment decisions and has the ability to assess the risks that may incur. The following criteria should apply for the categorization of a professional client:

1. Entities which are required to be authorized or regulated to operate in the financial markets. Those are the following:
 - a. Credit Institutions;
 - b. Investment Firms;
 - c. Other authorized or regulated financial institutions;
 - d. Insurance companies;
 - e. Collective investment schemes and management companies of such schemes;
 - f. Pension funds and management companies of such funds;
 - g. Commodity and commodity derivatives dealers;
 - h. Locals: firms which provide investment services and/or perform investment activities consisting exclusively in dealing on own account on markets in financial futures or options or other derivatives and on cash markets for the sole purpose of hedging positions on derivatives markets or which deal for the accounts of other members of those markets or make prices for them and which are guaranteed by clearing members of the same markets, where responsibility for

ensuring the performance of contracts entered into by such firms is assumed by clearing members of the same markets;

- i. Other institutional investors and
2. Large undertakings meeting two of the following size requirements on a company basis:
 - a. Balance sheet total at least EUR 20,000,000;
 - b. Net turnover at least EUR 40,000,000; and
 - c. Own funds at least EUR 2,000,000 .
3. National and regional governments, public bodies that manage public debt, Central Banks, international and supranational institutions such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organisations.
4. Other institutional investors whose main activity is to invest in financial instruments including entities dedicated to the securitization of assets or other financial transactions

3 Non-Professional Clients who may be Treated as Professional on Request

3.1 General

Clients not mentioned in paragraph 2 above may also be allowed to be treated as Professional Clients and hence waive some of the protections afforded by the Law.

The Company is allowed to treat any such Clients as Professionals provided the relevant criteria and procedures mentioned herein below are fulfilled. These Clients should not, however, be presumed to possess market knowledge and experience comparable to that of the categories of paragraph 2. So, any waiver of the protection afforded to them shall be considered valid only if an adequate assessment of the expertise, experience and knowledge of the Client, undertaken by the Company, gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the said Client is capable of making his own investment decisions and understanding the risks involved.

For this reason, the Company will apply a fitness test to assess their expertise and knowledge.

3.2 Assessment

In the course of the above assessment, as a minimum, two of the following criteria should be satisfied:

- a) the Client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per calendar quarter over the previous four quarters;
- b) the size of the Client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds 500,000 Euros;

- c) the Client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged.

3.3 Procedure

The Client states in writing to the Company that it wishes to be treated as a Professional Client, either generally or in respect of a particular investment service or transaction, or type of transaction or product.

The Company must give it a clear written warning of the protections and investor compensation rights it may lose.

The Client must state in writing, in a separate document from the main Agreement, that it is aware of the consequences of losing such protections.

Before deciding to accept any request for waiver, the Company must take all reasonable steps to ensure that the Client requesting to be treated as a Professional Client meets the relevant requirements stated above.

3.4 Keeping the Company Informed

All Clients are responsible for keeping the Company informed about any change which could affect their current categorisation.

However, if the Company becomes aware that the Client no longer fulfils the initial conditions which made it eligible for a professional treatment, the Company should take appropriate action.

Any Retail client who has requested to be re-categorized as Professional client may at any point request the Company to be re-categorized back to a Retail client.

Professional clients on request (i.e., Elective Professional clients) are responsible for keeping the Company informed about any change which could affect their current categorisation. However, if the Company becomes aware that the Client no longer fulfils the initial conditions which made it eligible for a professional treatment, the Company shall take appropriate action.

4 Eligible Counterparties

When dealing with eligible counterparties, the Company is exempted from important obligations under conduct of business rules, best execution rules, client order handling rules. Where the Company treats the client as an eligible counterparty, the client will be entitled to fewer protections under the law than he would be entitled to as a professional client. Therefore:

- a) The Company is not required to provide the client with the best execution on client's orders;
- b) The Company is not required to disclose to the client information regarding any fees or commissions that the Company pays or receives;

- c) The Company is not required to assess the suitability or appropriateness of a product or service that it provides to the client but can assume that the client has the expertise to choose the most appropriate product or service and that he is able financially to bear any investment risk consisted with his investment objectives;
- d) The Company is not required to provide the client with information about the Company, its services and the arrangements through which the Company will be remunerated;
- e) The Company is not required to provide the client with risk disclosures on the products or services that he selects from the Company; and
- f) The Company is not required to provide reports to the client on the execution of his orders or the management of his investments.

4. Types of Requests for Different Categorisation

A Retail client has the right to request a different categorisation to become a Professional client under specific circumstances indicated above and receives a lower level of protection by the Company.

A Professional client has the right to request a different categorisation as a Retail client in order to receive a higher level of protection by the Company.

An Eligible Counterparty has the right to request a different categorisation to become either a Professional client or a Retail client in order to receive a higher level of protection.

The Company has the right to decline any of the above client's requests for different categorisation.

The objective of MiFID II is to increase the protection of investors and reduce the areas of exemption, including strengthening the treatment of eligible counterparties ESMA proposed in its summer 2014 consultation, and has confirmed in its technical advice that the types of investors who can qualify as an elective eligible counterparty is to be restricted. ESMA's advice is to remove the ability for investors who have elected to be professional clients to then also elect to be eligible counterparties.

ESMA's technical advice also introduces a specific procedure to apply when eligible counterparties request treatment as such. This procedure will mean that eligible counterparties will need to be warned that they are losing protection and they must provide written confirmation that they are requesting this status (either generally or in relation to one or more specific trades / services / products) and acknowledge that they are aware of the consequences of the protections they may lose.

5. Protection Rights for Retail and Professional Clients

Where the Company treats a Client as a Retail Client, the Client is entitled to more protections under the Law, than if the Client was treated as a Professional Client. In summary, the protections Retail Clients are entitled to be as follows (the list may not be exhaustive):

- a) A Retail Client will be given more information disclosures with regards to the Company, its services, its financial instruments and their performance, the nature and risks of financial instruments, its costs, commissions, fees and charges and the safeguarding of Client financial instruments and Client funds, including summary details of any relevant investor compensation or deposit guarantee scheme, as applicable.
- b) The Company is obligated following the provisions of the Directive for the restriction on the Marketing, Distribution or Sale of Contract for Difference, to provide Negative Balance Protection on a per account basis. The Negative Balance Protection limits the liability of a Retail Client for all restricted speculative investments connected to the Retail Client's account is limited to the funds in that account. This means that a Retail Client cannot lose more than the funds specifically dedicated to trading restricted speculative investments.
- c) The Company is obligated following the provisions of the Directive for the restriction on the Marketing, Distribution or Sale of Contract for Difference, to provide Margin Close – Out Protection. The Margin Close Out Rule ensures that the sum of funds close out a Retail Client's position when their funds fall to 50% of the margin needed to maintain their open CFD or CFD-like option positions on their CFD account.
- d) Where the Company is providing the services of Reception & Transmission of orders and/or Execution of Client orders (the Company shall ask a Retail Client to provide information regarding his knowledge and experience in the investment field relevant to the specific type of product or service offered or demanded, so as to enable the Company to assess whether the investment service or product envisaged is appropriate for the Client. In case the Company considers, based on the information received, that the product or service is not appropriate to a Retail Client, it shall warn the Client accordingly. Please note that the Company is not required to assess appropriateness in certain cases specified by the Law (for example but not limited to the situation where on an execution only basis the financial instrument concerned is not complex). On the other hand, the Company shall be entitled to assume that a Professional Client has the necessary experience and knowledge in order to understand the risks involved in relation to those particular investment services or transactions, or types of transaction or product, for which the Client is classified as a Professional Client. Consequently, and unlike the situation with a Retail Client, the Company should not generally need to obtain additional information from the Client for the purposes of the assessment of appropriateness for those products and services for which they have been classified as a Professional Client.
- e) When executing Client orders, the Company must take all reasonable steps to achieve what is called "best execution" of the Client's orders that is to obtain the best possible result for its Clients. Where the Company executes an order of a Retail Client, the best possible result shall be determined in terms of the total consideration, representing the price of the financial instrument and the costs related to execution, which shall include all expenses incurred by the Client which are directly related to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order. The Company shall also send a notice to a Retail Client confirming execution of the order as soon as pos-

sible and no later than the first business day following execution or, if the confirmation is received by the Company from a third party, no later than the first business day following receipt of the confirmation from the third party, as applicable.

Professional Clients are also entitled to a confirmation for the execution of their orders however there is no specific timeframe involved as to when the Professional Client will receive this information. Nevertheless, this confirmation shall be provided promptly.

- a) The Company must inform Retail Clients of material difficulties relevant to the proper carrying out of their order(s) promptly upon becoming aware of the difficulty.
- b) The Company is required to provide Retail Clients with more information than Professional Clients with regards to the execution of their orders.
- c) The Company is obliged to enter into a written basic agreement with the retail Client, setting out the essential rights and obligation of both parties.
- d) Retail Clients are entitled to compensation under the Investor Compensation Fund ("ICF") for Clients of Investment Firms, while Professional Clients are not entitled to compensation under the ICF, for further information please refer to the Company's [Client Classification Policy](#).